

Message Text

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ACTION EA-07

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AMCONSUL MEDAN

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E.O. 11652: N/A

TAGS: BEXP, EIND, ID

SUBJECT: U.S. EXPORT POTENTIAL OF P T ALCOMIN PROJECT

REF: A) JAKARTA 6714; B) STATE 140596

1. SUMMARY AND ACTION REQUESTED: EMBASSY OFFICERS HAVE RECENTLY HELD A SERIES OF MEETINGS WITH OFFICIALS OF P T ALCOMIN, INDONESIAN SUBSIDIARY OF ALCOA, IN ORDER TO DEVELOP INFORMATION USEFUL IN PROMOTING SALES OF U.S.-ORIGIN EQUIPMENT FOR THEIR CIRCA-\$300-MILLION ALUMINA PLANT AND BAUXITE MINE IN KALIMANTAN NOW ON DRAWING BOARDS. JIM POST, HEAD OF ALCOMIN, INDICATES THAT ALUMINA PLANT WILL BE MODELED CLOSELY AFTER ALCOA PLANT IN KWINANA, WESTERN AUSTRALIA. MINING AND INFRASTRUCTURE DESIGN WILL DEPEND ON INVESTIGATIONS STILL IN PROGRESS EVEN THROUGH COMPANY PLANS TO INITIATE CONSTRUCTION IN EARLY 1975. MAJOR PROCUREMENT DECISIONS WILL BE MADE IN PITTSBURGH HEADQUARTERS. ORDERS FOR PRINCIPAL PROCESS COMPONENTS LIKELY TO BE PLACED IN 1975, WHILE EQUIPMENT TO BE USED IN CONSTRUCTION (AND CARRIED OVER TO MINING OPERATION) MAY BE ORDERED AT APPROPRIATE LEVEL IN ORDER DEVELOP SPECIFIC MAJOR

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EXPORT LEADS. END SUMMARY

2. OUR EFFORTS TO IDENTIFY PROCUREMENT AREAS WHERE

A) U.S. SOURCE ASSURED,

B) THIRD-COUNTRY SUPPLIERS CLEARLY FAVORED, AND

C) PROMOTIONAL EFFORTS MIGHT SWING SALES EITHER WAY HAVE MET WITH VERY LIMITED SUCCESS. ALL INDICATIONS HERE ARE THAT BIG DESIGN AND PROCUREMENT DECISIONS BEING MADE IN PITTSBURGH, AND THAT PRINCIPAL SALES EFFORT MUST BE DIRECTED THERE. KEY OFFICIALS ARE ENGINEERING VICE PRESIDENT S J JONES (MECHANICAL AND ELECTRIC DESIGN, MATERIALS HANDLING EQUIPMENT), CONSTRUCTION VICE PRESIDENT H F ROBEY JR. (STRUCTURAL DESIGN, FOUNDATIONS, CIVIL WORK), AND PROCUREMENT VICE PRESIDENT L B NEUBERT, ALL THREE UNDER THE AUTHORITY OF VICE PRESIDENT R N WAGNER. LOCAL SOURCES INDICATE FINANCIAL PLAN IS STILL BE BE DRAWN UP, WITH VICE PRESIDENT AND TREASURER J S PASMAN JR AS SUGGESTED CONTACT.

3. EARLIEST PROCUREMENT DECISIONS WILL BE THOSE GOVERNING CONSTRUCTION EQUIPMENT AND MATERIALS, MUCH OF EQUIPMENT TO BE CARRIED OVER INTO MINING OPERATION LATER. THIS INCLUDES EARTH MOVING, PILE DRIVING, DRILLING EQUIPMENT, CRANES, TOWBOATS, BARGES. LOCAL ENGINEERING FIRM CESCO NOW CONDUCTING FEASIBILITY STUDY THAT WILL SHAPE MAJOR PART OF INFRASTRUCTURAL PLAN: PORT FACILITIES, WHICH AS OF NOW LOOK LIKE INVOLVING TANK FARM IN LOWER PART OF KALIMANTAN'S KAPUAS RIVER DELTA CAPABLE OF RECEIVING 40-50,000-TON SHIPS FOR LOADING REFINED ALUMINA FROM THE SHORE FACILITIES. INFRASTRUCTURE WILL INCLUDE ALSO FACILITIES FOR MOVING ORE TO THE PLANT FROM MINING AREAS THROUGHOUT 500,000-HECTARE AREA AND COMPANY TOWN WITH ALL AMENITIES FROM THE GROUND UP.

4. ORDERS FOR PROCESSING PLANT WILL PROBABLY BE PLACED THROUGHOUT 1975, ACCORDING TO JAKARTA MANAGEMENT. ITS DESIGN WILL BE BASED ON PLANT AT KWINANA, WITH MODIFICATIONS NOW BEING WORKED OUT IN U.S. LIMITED OFFICIAL USE

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FROM KALIMANTAN DATA AND SAMPLES.

5. EMBASSY CONTINUES DIALOG WITH ALCOMIN, WHICH DISPOSED TO EXTENT OF ITS MANDATE TO COOPERATE WITH U.S.-EXPORT-PROMOTION EFFORT. JIM POST HAS INVITED AMBASSADOR NEWSOM TO VISIT ALCOMIN CONTRACT AREA AT AN EARLY DATE TO OBTAIN FIRST HAND IMPRESSION OF PROGRAM AHEAD.

6. EMBASSY URGES THAT MEPD SEEK DIALOGUE AT APPROPRIATE LEVELS WITH ALCOA PITTSBURGH IN ORDER

A) DEFINE AREA WHERE U.S. PROMOTIONAL EFFORT WILL BE MOST PRODUCTIVE, AND ENLIST RESPONSE FROM POTENTIAL SUPPLIERS WHO BEST MEET ALCOA NEEDS,

B) DEVELOP ALCOA HOME-OFFICE SUPPORT FOR MAXIMUM USE OF U.S.-SOURCE INPUTS CONSISTENT WITH PROJECT ECONOMICS, AND

C) ENSURE THAT FINANCIAL PLAN ALLOCATES ADEQUATE SHARE TO EXIM SO THAT HYPOTHETICAL U. .-PROCUREMENT DECISIONS LATER IN PROJECT DEVELOPMENT ARE NOT HAMPERED BY TIED-PROCUREMENT FOREIGN FINANCING.

7. HAVE JUST RECEIVED REF B. BELIEVE ALCOMIN MANAGEMENT BY NOW NOT FULLY REASSURED AS TO EMBASSY'S RESPECT FOR CONFIDENTIALITY PROPRIETARY INFORMATION; HOWEVER THEIR APPARENT LACK OF AUTHORITY CONTINUES VITIATE PRODUCTIVE DISCUSSION U.S. EXPORT POTENTIAL ASSOCIATED THIS PROJECT. HOPE INFORMATION PRECEDING PARAS WILL FACILITATE MEPD CONTACT WITH DECISION-MAKERS IN PITTSBURGH. NEWSOM

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